***HOW DO INTEREST RATES AFFECT THE PRICE OF A CAR?*Part 1: Choosing Your Car: (10 Minutes Maximum!)**At Site 1, research the type of used car you would like to buy. You may choose any city for the city/market location.

Make: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   Model: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Year: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_   Mileage: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Price of car: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (The cost of your car must be $7500 or more.)
Write a brief description of your car including equipment:

 **Part 2: Determining Interest Rates**At Site 2, record the Dealer Purchase: Used loan rate (the APR) listed for each period.
36 months: \_\_\_\_\_\_\_\_\_
37-60 months: \_\_\_\_\_\_\_\_\_
61-72 months: \_\_\_\_\_\_\_\_\_

What happens to interest rates as the period of the loan term lengthens? Why do you think this is the case?

**Part 3: Calculating Your Monthly Payment**The full cost of a car includes taxes and title and registration fees, which vary by city and state. For the purposes of this lesson we will assume taxes and registration costs of $500. Most loans also require a down payment. We will assume that you will make a down payment of $1,000 for your car. Following the directions on the Research page, use Site 3 to determine the actual monthly payment for the following three loans.

Monthly payment for 36 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Monthly payment for 60 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Monthly payment for 72 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Part 4: Finding the Real Price**

To determine the real price or total cost of your car:
1. Multiply your monthly payment times the length of the loan. For instance, the real price of a $15,000 car loan at 8% interest over five years (60 months) would be: the monthly payment of $304.15 x 60 = $18,249.00 in this example.
2. Add the down payment of $1,000 the Research page instructed you to enter into the payment estimator to see the full cost = $19,249.00 in this example.

Use the monthly payments from Part 3 to determine the following total costs.
Total cost for a 36 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Total cost for a 60 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Total cost for a 72 month loan: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Part 5: Examining the Effect of Interest Rates**

If your interest rate increased or decreased by 1%, what would be the effect on your monthly payment and total cost? Use the 37-60 month interest rate you listed in Part 2. Return to Site 3 and determine the effects on your monthly payments and the total cost of your car.
Original monthly payment for 60 month loan (from Part 3): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Add 1% to the 60 month interest rate: Subtract 1% to the 37-60 month interest rate:
Monthly payment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Monthly payment: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
Total cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Total cost: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Finally, consider the calculations in Parts 2-5. On the back of the Respond sheet, write a one to two paragraphs that advise a friend who is planning to buy a car for the first time. Be sure you address the Focus Question: How do interest rates affect the price of a car?